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ACME GAS & OIL CO.

Limited



*The Prospect of Today
is the Mine of To-morrow*

Annual Report to the Shareholders

FOR THE FISCAL YEAR ENDED DECEMBER 31st, 1967

ACME GAS & OIL CO.

Limited

OFFICERS

President - - - - - BERT W. LANG
Secretary - - - - - R. A. CRANSTON, Q.C.
Treasurer, Assistant-Secretary - - - - EDWARD A. PIGULSKI

DIRECTORS

BERT W. LANG

R. A. CRANSTON, Q.C.

EDWARD A. PIGULSKI

D. H. STODART

R. WARREN PINGLE

HEAD OFFICE

Room 1705, 80 Richmond St. West
Toronto, Ont., Canada

TRANSFER AGENT AND REGISTRAR

THE PREMIER TRUST COMPANY
19 Richmond St. West
Toronto, Ont., Canada

THE ANNUAL MEETING WILL BE HELD ON TUESDAY,
JUNE 11th, 1968, AT 11:30 A.M., TORONTO TIME, AT
SUITE 1705, 80 RICHMOND STREET WEST,
TORONTO, CANADA

ACME GAS & OIL CO., LIMITED

Report of the Directors

To the Shareholders:

The Annual Report of the Company submitted herewith, includes the Balance Sheet, Auditors' Report, Consolidated Statement of Deferred Expenditures, Consolidated Statement of Deficit, Statement of Source and Use of Funds for the year ended December 31st, 1967 and a Summary Report on the Company's properties by L. G. Phelan, M.A.Sc., P.Eng., Consulting Geologist.

During 1967, your Company expended \$110,388, including \$62,385 in the Michipicoten Area, on exploration work which was terminated at the end of September as funds became depleted.

In order to provide funds during 1967, the Company sold securities for a total of \$62,353, disposed of the mortgage on real estate for \$35,000 and sold parcels of real estate for \$36,594.

The Company issued, during 1967, 200,000 shares to satisfy a debt of the Company to Canadian Aero Mineral Surveys Limited in the amount of \$36,379.70 being the balance owing for airborne geophysical surveys over the Company's properties held under a working options in the Michipicoten Area.

The exploration carried out to date and indicated activities for 1968 are set out below by areas.

MICHIPICOTEN AREA, ONTARIO:

Your Company holds under the terms of two working option agreements with Algoma Central Railway, twelve townships with an area of approximately 300,000 acres in the Michipicoten or Wawa Area. These twelve townships cover for a length of about 30 miles a wide band of geological formations, similar to the formation in the Timmins Area of Ontario and the Mattagami Area of Quebec. In addition, Acme holds 49 mining claims secured by staking and located adjacent to the 12 A.C.R. townships.

Aerial surveys were carried out during 1966, with lines at $\frac{1}{8}$ mile intervals, over most of the properties. The aeromagnetic (E.M.) and magnetic (Mag.) results of the surveys are used to determine the more interesting areas to be checked by ground geophysical surveys and other follow-up work.

Ground exploration work, consisting of E.M., Mag. and geochemical surveys, trenching and limited drill testing with a light drill, was carried on during the first nine months of 1967 in the Michipicoten Area. A field office and a lab. to test soil samples were established in Wawa.

As the result of exploration work to date, five magnetic iron deposits, outlined by ground magnetic surveys, are ready for trenching, gravity surveys and drilling in order to determine the probable tonnages, grade and feasibility of mining these deposits. In the Horse Shoe Area, in the westerly part of the property, a siderite deposit is indicated by limited outcrops. It will be necessary to carry out a gravity survey, and drill in order to determine the extent and probable tonnage of iron ore in this siderite deposit.

Further work is required in the westerly townships to explore a number of interesting copper showings. Additional work will be necessary to locate the source of the relatively high nickel-copper results secured from the analysis of soil samples taken over a length of 2,600 ft. This geochemical anomaly appears to be coincident with a ground E.M. conductor of about the same length and is located in an area marked by two aerial E.M. conductors. Extensive stripping and sampling will be required to test an area where an assay of 1.2 ounces of gold per ton was obtained in a zone of massive mineralization.

In addition to the exploration work referred to above, there are about one-half of the aerial E.M. conductors and Mag. anomalies to be tested which will require a geophysical — soil sampling crew possibly two seasons to complete the survey work necessary in preparation for testing the areas that so warrant by drilling.

Algoma Central Railway has agreed to extend the times set out in the agreements in order that the exploration program may be continued during the next two years.

TIMMINS AREA, ONTARIO:

The group of claims in Eldorado Township has been reduced to 40 claims which cover several E.M. conductors associated with Mag. anomalies. Drilling has been recommended to test these conductors. Two holes drilled during 1967 on the group of claims in McArthur Township intersected both massive and disseminated mineralization which did not return results of interest — 42 claims are still held in McArthur Township. Thirty claims, which have not been explored, are held in Price Township.

NEWCASTLE AREA, NEW BRUNSWICK:

Exploration work in New Brunswick was terminated early in 1967 due to the decline in funds available and the claims were allowed to expire.

AGNEW LAKE URANIUM AREA, ONTARIO:

Acme has recently been granted by your President, B. W. Lang, the right to acquire from him, on or before July 2nd, 1968, 71 mining claims, a patented block of 160 acres and the assignment of an option which he holds to acquire 20 additional claims by reimbursing him his actual cost of acquiring these properties totalling \$80,000, which includes payments of \$33,000 to the vendors of the 20 claims. The option on the 20 claims may be exercised by the issuance, on or before October 1st, 1968, of 100,000 shares of the company to the vendors of these claims.

These properties cover an area of over 3,800 acres in Drury Township, as outlined on the plan, contained in this report, on which there is also shown the general geology of the area and the results of a reconnaissance scintillometer survey. A summary report by L. G. Phelan, M.A.Sc., P.Eng., Consulting Geophysicist, covering the property and other properties is included in this report.

The west boundary of the property is located two miles east of the main part of the Agnew Lake Mine on which there is reported to be indicated over ten million tons of uranium ore averaging 1.54 pounds U_3O_8 per ton plus Thorium and rare earths. The geological setting on the Acme property appears to be similar to that at the Agnew Lake Mine.

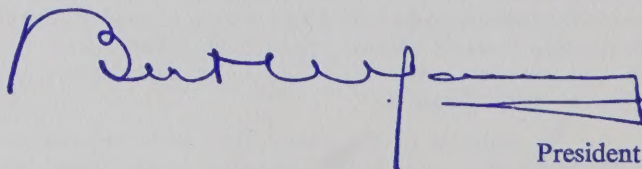
The results of a reconnaissance scintillometer survey, shown on the plan in this report, indicate several parallel radioactive bands, at intervals where there were rock outcrops, over a length of two miles and within a width of about 600 feet, located adjacent to the greenstone-granite contact on the north.

It is planned to carry out an extensive exploration program on the property in Drury Township consisting of detail mapping of geology, a scintillometer survey, stripping radioactive zones by bulldozer, drill, blast and sample trenches followed by diamond drilling.

Your Directors are considering the method to be adopted to obtain the funds required to acquire the above-described properties and to finance the company's exploration program. It is hoped that, subject to the approval of the regulatory bodies, this may take the form of an offering to the registered shareholders of the Company.

It is planned to carry on an aggressive exploration program during 1968 in the search for mines.

On behalf of the Board of Directors,



President.

Toronto 1, Canada,
May 10th, 1968.

Summary Report on Acme's Properties

Prepared By

L. G. PHELAN, M.A.Sc., P.Eng.
Consulting Geologist

ACME GAS & OIL CO. LIMITED,
1705 - 80 Richmond St. W.,
Toronto 1, Ontario.

Dear Sirs:

The following is a summary of my report on the holdings of Acme Gas & Oil Co. Limited:

Acme Gas & Oil Co. Limited holds a uranium prospect in the Agnew Lake area, an iron and non-ferrous metal prospect in Michipicoten area, and nickel-copper prospects in Timmins area, all in Ontario.

The Agnew Lake area property consists of an option to purchase some 3,800 acres situated 2 to 6 miles east of the Agnew Lake Uranium Mine, now being readied for production. The Matinenda Formation, host rock for Agnew Lake Uranium and for all of the known mineable uranium deposits of the Blind River type, extends across the Acme ground for a strike length of some 3½ miles. A very limited amount of work has disclosed a series of uranium occurrences at intervals across the property, and several assays of ore or near-ore grade have been reported. One trench has returned an assay of 1.56 pounds U_3O_8 across a 20 foot width. The property is considered a more than normally promising prospect. Detailed mapping of the rather complex geology is recommended followed by a scintillometer survey, trenching, sampling and drilling as indicated. Initial budget is estimated at \$50,000.

At Michipicoten, through an agreement with the Algoma Central Railway, Acme holds exclusive exploration rights to twelve townships, and holds 49 mining claims outside these townships. Under terms of the Algoma Central Railway agreements Acme has eighteen months to two years in which to select those portions of the townships which will be retained. These townships and claims cover a large part of a "greenstone" belt in which there are extensive iron formations and several known gold and base metal deposits and occurrences. Acme has carried out airborne geophysical surveys followed by ground geological, geophysical and geochemical surveys and trenching and drilling. Exploration expenditures to date total approximately \$250,000. Work to the present has indicated two large and several smaller iron formation bodies and a siderite body which require more detailed and advanced investigation to establish their economic potential. Approximately half of the other airborne anomalies have been examined to date. There remain several features of definite interest to be investigated including the above iron formations, a zone of high copper-nickel soil samples, a number of conductors in an area of several copper occurrences, and a massive pyrite zone from which a high gold assay has been obtained. Exploration in Michipicoten area should be resumed when funds are available.

Of the various Timmins area holdings 40 claims in Eldorado township, 42 claims in McArthur Township and 30 claims in Price Township have been retained, covering groups of magnetic and conductive anomalies.

Respectfully submitted,

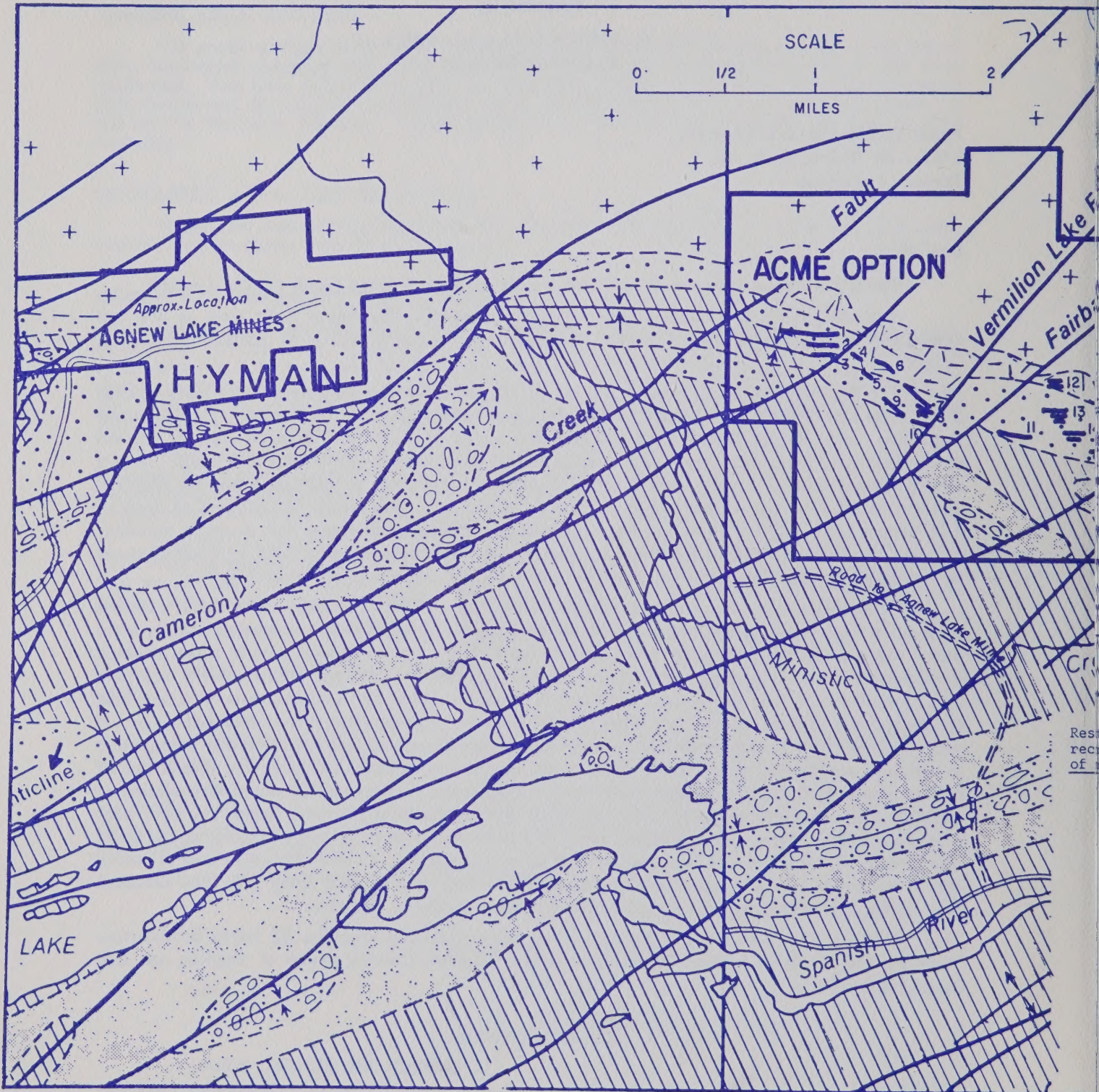
L. G. PHELAN, M.A.Sc., P.Eng.,
Consulting Geologist.

Toronto, Ontario,
May 13, 1968.

LOCATION PLAN OF ACME OPTION IN DRUM

MAP FROM O.D.M. GEOLOGICAL REPORT No. 34 BY K.D. CARD 1965.

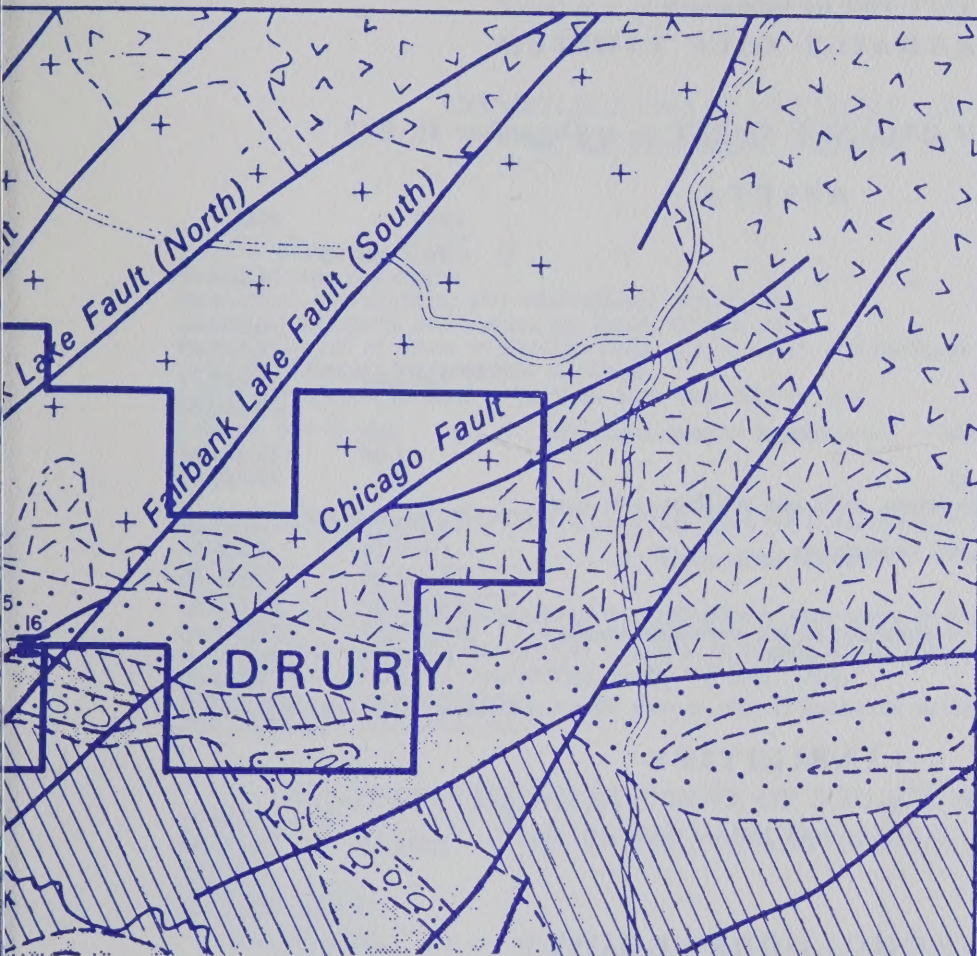
APPROX. LOCATION OF RADIOACTIVE BANDS NUMBERED 1 to 16 INDICATED



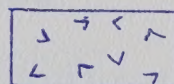
Interpretive geological, stratigraphic, and structural m

TWP

TED

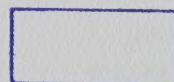


NICKEL IRRUPTIVE



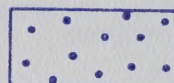
Norite, etc.

NIPISSING (?)

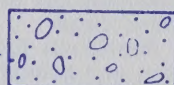


Basic intrusive rocks.

HURONIAN (?)



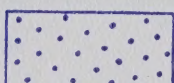
Upper quartzite.



Conglomerate.

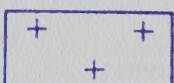


Argillite.



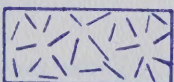
Lower quartzite.

ALGOMAN (?)

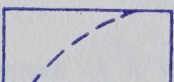


Granitic rocks.

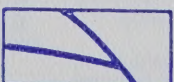
METAVOLCANIC GROUP



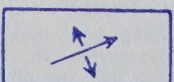
Metavolcanic rocks.



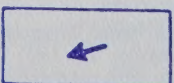
Geological boundary.



Fault.



Fold axis.



Direction of sediment transport.

as reported by L. J. Cunningham, B.Sc., P.Eng. on Radioactive bands located by a scintillometer survey conducted over plus 12" of snow cover. Locations are approximate only. Numbers below correspond with numbered bands on the plan.

- | No. | Reported as |
|-----|--|
| 1 | Northerly band 10'-20' wide 6-10 x B.G. for 400 feet long. |
| 2 | Band south of gabbro 5' wide 6 x B.G. - 100 feet long. |
| 3 | South band 3'-5' wide 6 x B.G. - 50 feet long. |
| 4 | 3'-5' wide 5 x B.G. - 25 feet long. |
| 5 | 20' wide - 100 feet long. |
| 6 | Pit on concession line - 3 feet wide - 10 x B.G. - Band west of pit traced for over 200 feet 3'-5' wide 5 x B.G. |
| 7 | Pit 20 feet long x 3 feet wide 20 x B.G. over 20 feet wide, located on strong band of R/A. |
| 8 | Two parallel bands on ridge south of pit. |
| 9 | 3 feet wide - 200 feet long - 5 x B.G. |
| 10 | 5 x B.G. |
| 11 | 15 to 20 feet wide - 8 x B.G. traced for 400 feet. |
| 12 | Pebble Conglomerate R/A 10 to 20 feet wide 6-8 x B.G. |
| 13 | Widespread R/A - 6-10 x B.G. over 30 feet wide - length 100 feet. |
| 14 | Two narrow bands - 6 x B.G. - 100 feet long. |
| 15 | Two bands - 3 feet wide - 6 x B.G. - 200 feet long. |
| 16 | Three bands - 3 to 5 feet wide - 6 x B.G. - 100 feet long. |

up of Hyman and Drury townships.

ACME GAS & OIL CO., LIMITED

(Incorporated under the laws of Ontario)

and its subsidiary

BORRADAILE OILS LIMITED

CONSOLIDATED BALANCE SHEET as at December 31, 1967

ASSETS

Current:	1967	1966
Cash	\$ 7,192.86	\$ 1,568.83
Accounts receivable	429.78	1.00
Marketable securities		6,500.00
Mortgage principal instalment		1,547.94
Advances to employees		
	<u>7,622.64</u>	<u>9,617.77</u>
Mortgage		49,400.00
Lands — at cost, less proceeds of sales — being former railway lands and mineral and other rights	1.00	29,284.85
Shares in Keradec Petroleum Limited		27,049.42
Interests in petroleum and natural gas leases, wells and royalties — at cost, less \$12,633 written down	5,462.26	6,461.26
Well equipment, at cost less \$1,500 depreciation	1,439.54	2,059.54
	<u>6,901.80</u>	<u>8,520.80</u>
Mining claims, at cost	23,306.82	68,929.03
Deferred exploration and administrative expenditures, per statement attached	399,152.82	324,848.40
Exploration equipment, at cost less \$13,000 depreciation	6,600.54	13,057.34
Unsecured advance		1,703.02
	<u>\$ 443,585.62</u>	<u>\$ 532,410.63</u>

LIABILITIES

Current:		
Bank overdraft	\$	\$ 5,639.37
Accounts payable	3,871.33	54,440.43
Owing to directors		6,426.01
		<u>\$ 66,505.81</u>

SHAREHOLDERS' EQUITY

Capital Stock:		
Authorized — 7,000,000 shares, no par value		
Issued — 4,743,804 shares (note 1)	1,154,123.25	1,117,743.55
Deficit, per statement	714,408.96	651,838.73
	<u>439,714.29</u>	<u>465,904.82</u>
	<u>\$ 443,585.62</u>	<u>\$ 532,410.63</u>

On behalf of the Board:

B. W. LANG, Director.
E. A. PIGULSKI, Director.

Auditors' Report

To the Shareholders of
Acme Gas & Oil Co., Limited:

We have examined the consolidated balance sheet of Acme Gas & Oil Co., Limited, and its subsidiary, Borradaile Oils Limited as at December 31, 1967 and the consolidated statements of deficit, exploration and administrative expenditures and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly, on a consolidated basis, the financial position of the companies as at December 31, 1967 and the results of their operations and source and use of funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
March 22, 1968.

SIME, AYERS & CO.,
Chartered Accountants.

ACME GAS & OIL CO., LIMITED
and its subsidiary
BORRADAILE OILS LIMITED

CONSOLIDATED STATEMENT OF DEFICIT
for the year ended December 31, 1967

	1967	1966
Balance, beginning of year	\$651,838.73	\$496,371.19
Mining claims abandoned	46,051.21	58,660.51
Exploration and administrative expenditures, written off	36,083.50	102,882.43
Interest in petroleum and natural gas leases, written down	999.00	1,084.04
Loss on disposal of shares in Keradec Petroleums Limited, and mortgage	39,099.31	—
Profit on disposal of marketable securities	52,352.85	7,159.44
Excess of proceeds of sales of lands to date, over original cost	7,309.94	—
Balance, end of year	<u>\$714,408.96</u>	<u>\$651,838.73</u>

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT
December 31, 1967

1. During the year 200,000 shares of the capital stock were issued in full settlement of a debt of \$36,379.70.
2. An option has been granted to an employee to acquire 12,000 shares of the capital stock at 20¢ a share, subject to continuing employment, good until July, 1968.
3. Direct remuneration paid during the year to officers amounted to \$4,086.

CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS
for the year ended December 31, 1967

Source of Funds:	1967	1966
Sale of assets:		
Mortgage	\$ 27,350.11	\$ 5,900.78
Shares in Keradec Petroleums, Limited	10,000.00	—
Marketable securities	52,352.85	7,161.44
Lands	36,593.79	1,250.00
Issue of capital stock	36,379.70	303,893.55
Advance repaid	1,703.02	—
	<u>164,379.47</u>	<u>318,205.77</u>
Use of Funds:		
Exploration and administrative expenditures, less revenues	\$110,387.92	\$315,462.09
Net purchases of equipment (sale)	(100.00)	13,126.41
Less depreciation and loss on disposal of equipment, included above, but not requiring an outlay of funds	(6,976.80)	(9,417.91)
	103,311.12	319,170.59
Expenditure on exploration for petroleum and natural gas	—	1,084.04
Cost of mining claims purchased	429.00	58,084.97
Advance to another company	—	1,703.02
	<u>103,740.12</u>	<u>380,042.62</u>
Increase (decrease) in working capital	60,639.35	(61,836.85)
Working capital, (deficiency) beginning of year	*(56,888.04)	4,948.81
Working capital, (deficiency) end of year	<u>3,751.31</u>	<u>*(56,888.04)</u>

* The deficiency in working capital at December 31, 1966 does not take into account excess of market value of securities over book value.

ACME GAS & OIL CO., LIMITED
and its subsidiary
BORRADAILE OILS LIMITED

**CONSOLIDATED STATEMENT OF EXPLORATION AND
ADMINISTRATIVE EXPENDITURES**
for the year ended December 31, 1967

	<u>1967</u>	<u>1966</u>
Field Expenditures:		
Ontario:		
Wawa area	\$ 62,384.82	\$171,613.24
Timmins area	6,719.80	35,001.77
Sudbury area	5,633.70	13,421.78
Other	—	6,433.14
New Brunswick	9,008.52	54,727.79
Quebec	—	8,485.19
Depreciation (\$5,880) and loss on disposal of exploration equipment	6,356.80	8,537.91
	<u>90,103.64</u>	<u>298,220.82</u>
Administration:		
Head office salaries	8,166.16	9,389.20
Head office accommodation	2,400.00	2,400.00
Transfer agent's fees and disbursements, stock exchange fees, and shareholders' meetings and reports	2,560.23	12,633.00
Legal fees and disbursements	3,867.95	2,988.60
Telephone, audit and other expenses	3,855.34	6,636.88
Recovery of directors' fees for 1966	(1,400.00)	1,400.00
	<u>19,449.68</u>	<u>35,447.68</u>
Taxes on lands	905.94	1,595.74
	<u>20,355.62</u>	<u>37,043.42</u>
Deduct:		
Net income from oil and gas production and royalties, less \$620 depreciation	71.34	2,236.93
Interest	—	3,158.47
Income from marketable securities	—	14,406.75
	<u>20,284.28</u>	<u>17,241.27</u>
	110,387.92	315,462.09
Exploration and administrative expenditures deferred, beginning of year	324,848.40	112,268.74
	<u>435,236.32</u>	<u>427,730.83</u>
Deduct expenditures transferred to deficit	36,083.50	102,882.43
Deferred exploration and administrative expenditures, end of year	<u>\$399,152.82</u>	<u>\$324,848.40</u>

